



*The Town of*  
**Leesburg,  
Virginia**

ROBERT S. NOE, JR.  
*Town Manager*

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June 30, 2003

The Honorable Mayor and Members of Council  
Town of Leesburg  
25 West Market Street  
Leesburg, Virginia 20176

Madam Mayor and Members of Council:

Transmitted herewith is the approved Fiscal Year 2004 budget, which is balanced using a combination of operating budget reductions, slowing of capital projects and revenue enhancements. The Council adopted a budget that is essentially the same General Fund amount as last year.

This budget was a challenge. To meet the significant service requirements, we found it necessary to increase the cigarette tax and certain user fees. We also made significant reductions in the operating budget to meet the Council's goals of maintaining a 10 percent reserve and avoiding a real estate tax increase.

### **BUDGET HIGHLIGHTS**

Here is a summary of Council actions regarding the General Fund:

- Maintained the real estate tax rate at \$0.22 per \$100 of assessed value.
- Maintained the General Fund balance at 10%, a reserve of \$3,303,103.
- Funded ten General Fund capital projects with a bank qualified loan of \$1,350,000, pay-as-you-go and non-town funding sources.
- Approved three new General Fund full time employees.
- Increased the cigarette tax from 25 cents to 50 cents per pack.
- Established and increased various user fees.
- Reallocated surplus capital project funds from pay-as-you-go capital projects for department operations.

- Used the Uran Fund more aggressively while remaining within the desired uses of Mr. Irwin Uran.

The budget for all town funds including capital projects is just over \$69 million. This is a 9% increase from FY 2003, due primarily to the Sycolin Road widening project and new airport capital projects such as the runway overlay, land acquisition and master plan update. All of these are primarily funded from non-town sources. The funds are categorized as follows:

	<u>FY 2003 Budget</u>	<u>FY 2004 Budget</u>	<u>Difference</u>	<u>% Change</u>
General Fund	\$32,955,248	\$32,975,523	\$ 20,275	0.06%
Utilities Fund	\$26,941,469	\$25,808,694	(\$ 1,132,775)	(4%)
Airport Fund	\$ 1,215,341	\$ 4,181,373	\$ 2,966,032	244%
Capital Fund	\$ 2,437,000	\$ 6,309,633	\$ 3,872,633	159%
	\$63,549,058	\$69,275,223	\$ 5,726,165	9%

In the Utilities Fund, there are no increases in the water and sewer rates or connection fees. We will hire four new full time employees. Included in the Utilities budget is \$6.5 million to expand the water treatment plant to 15 million gallons per day and \$1.5 million to design the Water Pollution Control Facility expansion.

In the Airport Fund, there are no increases in tie-down and hangar fees because the Airport Commission substantially increased these in FY 2003. The airport will become more self-sufficient as we lease additional space. Meanwhile, the airport will continue to require assistance from the General Fund. We will hire one new employee as the expanded terminal is opened in the second half of FY 2004. We will transfer \$307,925 from the General Fund to support the airport next year.

In the Capital Projects Fund, the Council approved a \$1,350,000 loan to fund five additional capital projects:

- Harrison Street Sidewalk and Drainage (construction) \$320,000
- West Market Street Sidewalk and Drainage (land and design) \$115,000
- South King Street Trail (town share of construction) \$75,000
- Fort Evans Sidewalk and Drainage (land and design) \$170,000
- North King Street Storm Drainage (construction and construction management) \$670,000

Three projects were funded using mostly non-town funding:

- Sycolin Road widening
- Edwards Ferry Road turn lane at the Route 15 Bypass
- Traffic circles on Catoctin Circle in Northeast Leesburg

## **REVENUES**

### **Revenue Outlook**

Leesburg has worked hard to relieve individual homeowners of higher property tax bills through revenues produced by other sources such as sales, meals, and occupancy taxes, as well as user fees charged for recreation programs and development plan review. Leesburg citizens continue to enjoy the lowest tax rate among Northern Virginia's largest towns.

Here are the significant revenue changes:

- General Property Taxes. Property tax projections are based on a total anticipated value of real estate of approximately \$3.6 billion, up 17% from the current year's assessed value. We estimate real property tax collections of approximately \$8.45 million next year.
- Other Local Taxes. Other local sources of taxation include various consumer-driven taxes such as utility, sales, cigarette, prepared food and lodging taxes. We project an 8.6% increase in this category. Projections reflect slight growth in sales tax revenue and a 5.6% growth in meals tax. Of the overall estimate, the cigarette tax increase accounts for \$500,000.
- Permits, Fees and Licenses. Projected increases are due to increased user fees for various services. These changes will result in \$100,000 of new revenue. Projected revenues for business and professional licenses are up 8%, while projected revenues for plan review fees are down 2.4%. This includes the proposed planning and zoning fee increases. We project that plan review applications will decline.
- Intergovernmental. State support for police programs is once again being reduced by the General Assembly as the Commonwealth of Virginia tightens its budget belt to deal with lean economic times. Road maintenance funding will increase slightly. Airport funding will remain steady.

## **EXPENDITURES**

The budget has just under \$33 million in General Fund expenditures. The major initiatives are:

- Information Technology initiatives will expand digital mapping capabilities and integrate major software packages. All of these will help make doing business with the town easier. The proposal includes hardware and software purchases.

- Finance initiative will improve the efficiency with a new cash receipts software program.
- Economic Development initiative will continue the purchase of signs for the wayfinding sign system. Depending on the types of signs purchased in FY 2003, these may include gateway, trailblazer and directional signs.
- Human Resource initiative will provide \$7,500 for modest awards as an incentive to recognize excellence in service by individuals throughout the organization. This initiative was a recommendation of the Employee Advisory Committee.
- Planning and Zoning initiatives will provide for effective public meetings in the Town Plan update process and improved mapmaking capabilities for the staff. The town will retain a facilitator for key public meetings in the Town Plan update process and purchase a large plotter.
- Police initiatives will help deter and investigate crime more effectively, as well as respond to Homeland Defense issues. We will hire two sergeants and a detective dedicated to gang activities. This will raise the number of sworn police officers from 61 to 64.
- Emergency Management initiative will enable us to make \$10,000 available for emergency management tools and training.
- Airport initiatives will provide for proper maintenance support for the new Stanley F. Caulkins Terminal Building scheduled for completion in the second half of FY 2004. We will hire a new maintenance worker.
- Engineering and Public Works initiative will provide for new traffic calming pilot projects.

## **STAFFING AND EMPLOYEE COMPENSATION**

The budget will fund our Pay for Performance System. The plan calls for:

- A continuation of the merit increase program, which ranges from 0%-5%. Merit increases, applied on the anniversary of an employee's hiring or promotion, and will be based on the midpoint of the employee's pay range.
- No cost of living adjustment. I regret we cannot offer this to employees.
- No adjustment to the pay ranges. Staff will conduct a market survey prior to FY 2005. This will be a one-year delay in the recommendation of the 2001 Hendricks Study that we make structural adjustments every two years.

## **ORGANIZATIONAL CHANGE AND HIGH PERFORMANCE**

Organizational change has been evident in the activities of the operating departments as well as the inclusive, collaborative environment of the staff's leadership group called "Leadership Leesburg". We have incorporated a participatory model of decision making to tackle some of the toughest problems facing Leesburg, including E-government concepts,

citizen communication, changing demographics, and staff space issues. In this collaborative environment, it was a natural outgrowth to invite all of the department directors to be the ad hoc budget committee.

### **CAPITAL PROJECTS AND DEBT SERVICE**

Council places a high priority on completing capital projects on time and on budget. Our capital projects construction managers and refined policies and processes have helped the town make significant progress on projects such as the Catoctin Circle, sidewalk and drainage improvements, Fairview Street road, bike trail improvements, South King Street bridge deck safety repairs, the Ida Lee Recreation Center expansion, and Freedom Park.

Leesburg's capital improvement needs are numerous, but how to pay for them becomes of paramount importance since the debt service for constructing bonds gets first funding in the following year's budget. Your restraint in limiting borrowing in 2001 to the \$4.2 million bond issue for Freedom Park and in 2002 with no new bonds helped keep our debt service level within our fiscal policy goal of 15% of general fund expenditures.

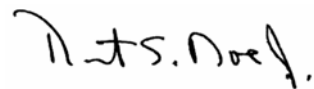
### **CLOSING**

Department directors functioned as the budget committee. I encouraged the directors to think beyond their own departmental interests to the greater needs of the town. The process that produced the staff priorities is evidence that we are moving from an organization based on top-down command and control to one based on participation and collaboration.

Producing a budget is a major effort. Mike Freda, Bob Berkey and Paul York spent countless hours preparing the document. Others made significant contributions including Phil Rodenberg, Nicole Ard and Adam Brown. The department directors met several times to rank the program change proposals. To each I offer a genuine "thank you". I appreciate the contributions they made and the perspectives they shared.

The staff and I look forward to implementing the budget as you have approved it.

Very truly yours,

A handwritten signature in dark ink, appearing to read "R. S. Noe, Jr.", written in a cursive style.

Robert S. Noe, Jr.  
Town Manager